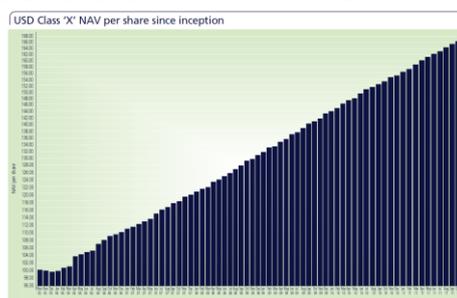


**SUMMARY OF COMPLAINTS TO GFSC re EEA LIFE SETTLEMENTS FUND PCC
plus Associated Companies, Regulators and Auditors**

1. FUND OPERATION 2006 – 2011

a. Fund Promotion and Marketing

From inception (2006) until 2010, brochures, leaflets and other promotional materials were published by EEA FMG^a on behalf of EEALSF^b. These documents described the Fund as a “Low Risk, Low Volatility, Uncorrelated, Absolute Return” investment, even though the Offering Memorandum at the time stated a number of specific and complex risks. Sometime after 2009 these documents were modified to remove some of the “low risk” terminology (although Advisors continued to use up earlier stocks) and in July 2011 the Offering Memorandum was updated to add further details and descriptions of risks, including those which would later become significant following the suspension and revaluation of the Fund in 2011 – 2013. However, Financial Advisors and Investors were relying on the earlier “low risk” terminology, documents and Offering Memorandum when making their investment decisions and were being constantly reassured by the monthly publication of NAVs and Fact Sheets plus the quarterly publication of Portfolio Statistics which appeared to confirm that the Fund was operating successfully as a low risk, low volatility, stable investment achieving the predicted (“promised”) returns of 8-10% pa NAV growth.



Investors and Advisors were therefore “stunned” when in 2011 the UK and Guernsey Regulators started to describe Life Settlement Funds as “High Risk” and unsuitable for retail investors, with questions subsequently arising over the liquidity, investment record, valuations and stability of the Fund and the Fund was immediately suspended on 30th November 2011.

Our Complaint¹ is against EEALSF, EEA FMG and EEA FML^c for wrongly promoting the fund as “Low Risk” from inception until around 2010, and also for perpetuating this “image” while updating the OM behind the scenes in 2011 to include even more risks and indemnities for the directors, which subsequently became very visible and relevant to Advisors and Investors after the suspension.

We can find no evidence that these changes and extra risks were brought to the attention of Advisors or Investors with any prominence after the updating of brochures around 2010 and the publication of the updated Offering Memorandum in July 2011. In fact, a Director of EEA FMG has recently told a UK Investor that these earlier brochures “never existed” (until he was shown a copy – then he claimed that it “had been updated and shouldn’t have been used”). In January and February 2014 we provided samples of the brochures concerned and associated correspondence to GFSC, who had previously been unaware of their content.

^aEEAFMG : EEA Fund Management (Guernsey) Ltd. Fund Manager for EEALSF (Regulated by GFSC)

^bEEALSF : EEA Life Settlement Fund PCC. (Regulated by GFSC)

^cEEAFML : EEA Fund Management Ltd (London) (Regulated by UK FSA/FCA)

SUMMARY OF COMPLAINTS TO GFSC re EEA LIFE SETTLEMENTS FUND PCC plus Associated Companies, Regulators and Auditors

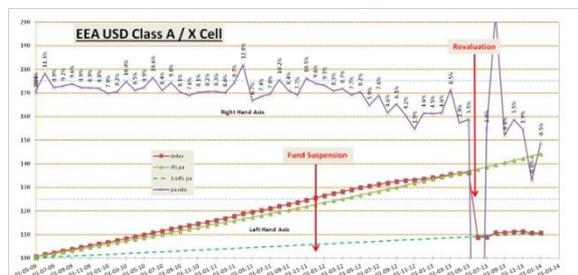
Our Complaint ² is also against the GFSC ^d and UK FSA/FCA ^e who initially licensed this fund for marketing to retail investors without apparently examining or monitoring the brochures and other materials involved, or ensuring that Advisors and Investors were properly informed when more risks and other details were provided by the reissued Offering Memorandum in July 2011. Investors were left unprotected and uninformed, whilst the Companies involved probably just stuck to their minimum legal obligations.

b. Valuations and Pricing

In a letter to GFSC ^f, an investor stated :

“We believe that from the outset, the Directors have (knowingly or unwittingly) overstated the NAV in order to paint a “favourable” picture to existing and potential investors and/or to trigger the various management and performance fees which are dependent on the 8% pa hurdle rate. It appears that this might have been achieved by using the flow of new investment funds to supplement the cash flows from the underlying policies. If true, then this was very misleading to investors, possibly illegal, and resulted in overpayments to redeeming shareholders and performance fee recipients, depleting the real cash base even further, and reducing the basis for future NAV calculations when a correction was eventually assessed.”

The Investor also presented an analysis ^g that showed that the monthly (Provisional) NAVs dropped following suspension, supporting the notion that they had been “improperly” supported by the previous flow of incoming new investment. Following the 2013 re-valuation of the fund by the Directors, the actual NAV growth since May 2009 had been less than 3% pa rather than “more than” 8% pa as claimed. In the subsequent meeting with the Investor’s representative, Mr Le Page stated that such a change in NAVs was “not uncommon in these situations and didn’t necessarily indicate wrongdoing”. This trend has continued downwards and at 31 Jan 2014 the USD compound rate of growth since May 2009 is 2.14% pa and the GBP equivalent is 1.43% pa.



During 2012 and 2013 the auditor Ernst Young (EY) raised questions with the Directors about various aspects of the Fund valuation and the assumptions used to calculate pricing and performance fees etc, and eventually disclaimed / qualified the 2011 accounts, which were published twelve months late in June 2013. The auditor subsequently resigned because he could not foresee reaching agreement with the Directors in any future audit.

The EEA Investors Group believes that EEALSF was operating a form of “Ponzi – like” scheme whereby newly acquired life policies would be brought into the Fund at prices based on their maturity values (rather than intrinsic cost), and that this inflated the valuation and share price (for new investors or for people redeeming their shares). This generated the extra liquidity needed to pay redemptions and valuation based performance fees and charges, on top of the cash available from maturing policies

^d GFSC : Guernsey Financial Services Commission

^e UK FSA/FCA : UK Financial Services Authority / Financial Conduct Authority

^f Letter dated 7th Oct 2013 to Mark Le Page, and subsequent meeting with Mr Le Page on 17th Oct 2013

^g Now available as WP0.2 from the EEA Investors Group

SUMMARY OF COMPLAINTS TO GFSC re EEA LIFE SETTLEMENTS FUND PCC plus Associated Companies, Regulators and Auditors

(which would have been relatively low in the early years of the Fund). EEALSF has repeatedly rejected our requests for details and examples of the past valuation and pricing calculations and said that we must work it out for ourselves.^h We also note that Ernst Young qualified the 2011 accounts on the basis that they could not obtain sufficient audit evidence to form an opinion on the calculation of pricing and NAVs and that the Company has stated that the requested information does not exist.ⁱ EY now refuse to answer shareholder questions or attend the AGM since they have resigned.

Our Complaint³ is that EEALSF and EEA FMG appear to have manipulated the monthly NAVs, partly based on new investor cash, in order to maintain attractiveness to new investors and maintain the appearance of a low risk, low volatility investment, and to drain cash from the fund in the form of valuation based performance fees and management charges which it subsequently appears were not “properly” earned.

Our Complaint⁴ is also against the auditor (EY) and the GFSC for not spotting and investigating this alleged “[Madoff – like](#)” characteristic during the 2006 – 2011 operating periods, when \$70-100m was drained from the Fund in valuation based fees and charges which might have been wrongly calculated or not due at all.

c. Acquisition of Life Policies

The original investment policy was to purchase life policies on terminally ill patients (“impaired lives”) with estimated life expectancy of an average of two years and a maximum of four years (although the Offering Memorandum does allow up to eight years). It was also stated that new medical breakthroughs took at least five years to come to market in the USA, further ensuring the validity and risk of these expectations. The Investment Advisor (ViaSource) appointed by the Fund Manager (EEA FMG) claims to be an expert in this field with long experience in pricing and purchasing of appropriate policies, and in due course signed an exclusive agreement with EEA. ViaSource produces regularly updated Schedules of matured policies, with details of the expected and actual lives and maturity values. This information is made available to Advisors and selected Investors on request from EEA FMG and EEA ML or certain distributors. ViaSource also issues quarterly Portfolios Statistics summaries which summarise the remaining policies by various attributes and averages. These are also published by EEA FMG and EEA ML and made available on their websites, together with monthly Fund Fact Sheets. However, ViaSource refuses to release details of the outstanding policies which would enable Advisors and Investors to confirm that Via Source has ONLY purchased policies that fit within the investment restrictions, and there are indications that the life expectancy of a number of policies are increasingly beyond what can be justified by normal variations in life expectancy estimating and valuation models.

Our suspicion is growing that ViaSource has, at times, in the period 2006 – 2011, purchased lower quality policies than intended and that these are now extending the average life expectancy of the remaining portfolio beyond that intended by the investment restrictions and the investors. We have made several requests^j for more detailed information about the remaining policies but these have all been rejected by the EEALSF Board and ViaSource.

^h Various E-mails between EEALSF and Simon de Zoete in 2013/2014. Available on request.

ⁱ Response by Alison Simpson at reconvened 2012 AGM (31/12/13) to questions from Mr Trinkwon.

^j See various emails between Advisors/Investors and EEA FMG/EEA QFMG/EEALSF, available on request.

**SUMMARY OF COMPLAINTS TO GFSC re EEA LIFE SETTLEMENTS FUND PCC
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Our Complaint⁵ is against EEALSF and EEA FMG for not providing adequate information to Advisors and Investors to confirm that the Investment Advisor (ViaSource) has acted fully within the intended investment restrictions, or acted competently in estimating the life expectancies concerned, even though we acknowledge that this is a subjective and contentious topic. We believe that the Board should over-ride ViaSource's objections to releasing this information, purportedly to protect ViaSource's commercial interests. Mr Daly^k (CFO of ViaSource) is a (conflicted) Director of EEALSF and, in our opinion, has a superior duty of responsibility and accountability to the EEALSF shareholders than to the shareholders of ViaSource.

d. Cashflow and Liquidity

The Fund was initially meant to hold 15-20% of cash to meet premium payments and a 10% redemption reserve. At Dec 2011 (just after suspension) the cash balance was \$56m against a net valuation of \$905m (6.2%) and this only increased to \$66m by Dec 2012 (8.6% of the reduced NAV of \$764m). The cash balance increased to \$104m by Dec 2013, but the Directors have decided^l that they need to hold two years' worth of premium payments (\$144m) and accumulate at least \$20m before making any distributions to run-off shareholders. Yet they still maintain that the company was a "going concern" at the end of 2011 and 2012.

Our Complaint⁶ is that EEALSF was effectively not a going concern following the suspension and should have immediately taken steps to reduce its costs and outgoings to an absolute minimum, cancel or modify its existing contracts with its Fund Manager and Service Providers, put 2011 valuation based performance fees and management charges into escrow and consider a range of options for going forward, including a minimum cost managed run-off of the existing policies and redemptions for shareholders. Instead, they steamrolled on with their ideas of restructuring and engineered a number of delays while they tried to restore or rebuild liquidity. Meanwhile, they drip fed a stream of "positive" announcements to investors to mask the true liquidity position of the Fund, and fought the attempts of the auditor to expose his underlying concerns and issues with valuations and pricing.

Our Complaint⁷ is also against the GFSC who allowed this situation to fester for eighteen months while fighting off questions and complaints from investors and advisors, and not appearing to use their privileged powers over the Companies and the Auditor to discover what was really going on and whether the interests of investors were being properly considered and protected by a Board which was obviously conflicted, and possibly acting in its own interests rather than those of its investors.

^k Christopher Daly, CFO of ViaSource and Director of EEALSF

^l Mark Colton (Chairman) at EGM 17/10/13 and Alison Simpson (acting Chair) at AGM 31/12/13

**SUMMARY OF COMPLAINTS TO GFSC re EEA LIFE SETTLEMENTS FUND PCC
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2. SUSPENSION PERIOD & REVALUATION 2011 – 2013

a. Basis of Suspension

The EEAFML Notice of the suspension dated 1st Dec 2011^m included this “Formal Announcement” statement from the Board of EEALSF :

“Following a meeting on 30 November 2011 of the Board of Directors (the “Board”) of EEA Life Settlements Fund PCC Limited (the “Fund”), the Board has declared an immediate suspension of the valuation of the net asset value of all classes of participating shares in each cell of the Fund and of the issue, sale, purchase, redemption and conversion of shares of each such class, which the Board is entitled to do in accordance with the Fund’s articles of incorporation and offering memorandum.

As a result of this decision,

- (i) all applications for shares received in respect of the 1 December 2011 dealing day will not be accepted and application monies will be returned to prospective investors, and*
- (ii) all requests for the redemption of shares in respect of the 1 December 2011 dealing day will not be effected during the period of suspension.*

The Fund maintains levels of liquidity which the Board considers prudent for normal operational purposes, including payments of premiums on policies.

The UK Financial Services Authority (FSA) draft guidance on Traded Life Policy Investments issued on 28 November 2011 has led to cancelled subscriptions and redemption requests significantly above normal redemption levels. As the current liquidity levels of the Fund are insufficient to satisfy such redemption requests in full and the Board has determined that it is not reasonably practicable to realise or dispose of its investments to satisfy such requests, the Board has decided to suspend dealings.”

It is clear to us that the fundamental reason for suspending the Fund at the time was the (actual or feared) “cancelled subscriptions and redemption requests significantly above normal” and the associated liquidity issues. The Company had already introduced a 10% “redemption gate” in June 2009ⁿ and had powers under the Offering Memorandum^o to postpone redemptions for up to 23 months without suspending the Fund.

^m See http://www.eeafmg.gg/PDFs/Life_Settlements/Fund%20Suspension.pdf

ⁿ See <http://www.cisx.com/listedsecuritynewsdisplay.php?newsID=41512>

^o The Offering Memorandum dated July 2011 includes the following clauses (Page 37) :

Postponement of redemption

With a view to protecting the interests of Shareholders, the Directors are entitled at their discretion to defer redemptions for not more than 23 months from the relevant Redemption Day if the total value of all then outstanding requests for redemptions, net of subscriptions, exceeds 10 per cent. of the Net Asset Value of the Fund on any Redemption Day. ...[and further details]

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However, the Board stated that it had (instead) suspended the valuation of the fund and all consequent operations of the fund and eventually stated ^p that it had acted under Article 34 (c) ^q. This implies that they knew that they wouldn't have enough liquidity to meet the 23 month postponement rule and therefore had to adopt the more rigorous "complete suspension" rule. Although they had stated that "*The Fund maintains levels of liquidity which the Board considers prudent for normal operational purposes, including payments of premiums on policies*" this wasn't true. As noted in our complaint under 1(d) above, the fund was very short of its intended cash balances at the time of the suspension (with \$48m of 2011 valuation based Management charges and performance fees either paid or in prospect).

We note that the EEAFML Directors had previously reassured some Advisors and Investors ^r that in the unlikely event that the fund had to close, all investments (and the 8% pa compound growth) could be paid within 23 months.

We also note that the Companies were also able to continue with monthly valuations of the Fund and published "Provisional NAVs during suspension" (which they later changed to be described as "indicative prices") as though everything was "normal". But these monthly NAVs were declining from 9% pa at the time of suspension to less than 3% pa when the directors de-valued the Fund by 20% in June 2013, indicating that profits from maturities were running at a lower rate than the corresponding reduction in future value from the remaining portfolio, suggesting a failure of the investment model and a previous dependence on masking by the flow of incoming investment cash.

Our Complaint ⁸ is against EEALSF in that they previously drained too much cash from the Fund and could not maintain the intended cash balances when the FSA announcement caught them "with their pants down" and inadequate liquidity to satisfy their 23-month postponement scenario and promise. They probably recognised that poorer maturity returns and de-leveraging of their valuation model meant that they couldn't recover quickly enough or continue to receive new investment and purchase more life policies and the Fund would snowball rapidly into a full Ponzi scheme where incoming investment would have to satisfy redemption requests for existing investors. Rather than put the Fund into a "simple" managed run-off mode they immediately proposed a three-prong restructuring strategy positioned as a resumption from suspension.

Our Complaint ⁹ is also against the GFSC and EY who appear not to have recognised or reviewed the true severity and implications of the suspension and allowed the Company to bluster its way through the "crisis", misrepresenting the true position to its Investors and Advisors.

^p Email response to question from D Trinkwon at reconvened 2012 AGM (31/12/13)

^q **Article 34.** The Directors may in their discretion declare a suspension of the valuation of the Net Asset Value of a class of Participating Shares and of the issue, sale, purchase, redemption and conversion of shares of that class and dealings in certain circumstances including but not limited to in the event that ...:

(c) for any other reason circumstances exist as a result of which, in the opinion of the Directors, it is not reasonably practical for the Company to realise or to dispose of Investments comprised in the Class Fund established for that class of Participating Shares; or

^r We should be able to obtain emails and/or affidavits from the members concerned, if required

**SUMMARY OF COMPLAINTS TO GFSC re EEA LIFE SETTLEMENTS FUND PCC
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b. Information and Delays During Suspension

Initially, the Companies enjoyed full sympathy, understanding and goodwill from the Advisors and Investors. All the anger and criticism was aimed at the FSA, and included submissions and statements from EEALSF, EEAFML and their agents / distributors and major shareholders. The companies produced periodic letters to shareholders which reassured them that premiums were still being paid, maturities were still occurring and that restructuring plans were being finalised and being submitted to the Regulator during the first half of 2012.

Our Complaint¹⁰ is against EEALSF in that as the suspension dragged on, the Companies didn't say that maturities weren't rebuilding the cash balances quickly enough or that later in 2012 and 2013 weren't happening fast enough in line with the life expectancy estimates. They also didn't disclose the nature and extent of the auditor's questions / concerns that were building during late 2012 and early 2013, as the 2011 Report and Accounts missed their legal publication deadline of June 2012 – eventually to appear in June 2013 with a mixture of 2011, 2012 and 2013 narrative. Once the FSA consultation report was published in April 2012 the Company started to “blame” the auditor and the regulator for the subsequent delays to their “possible restructuring proposal”, whereas in reality they were simply playing for time waiting for liquidity to (slowly) improve.

Our Complaint¹¹ is also against the GFSC and EY who didn't appear to question or challenge the Company's position or announcements in any meaningful way, or reveal the underlying weaknesses of the liquidity position going forwards. The Emperor Nero comes to mind ... Advisors and investors were becoming suspicious of the facts behind the delays, but couldn't prove anything and increasingly complained to the Companies, the Auditor and the Regulators for more information and reassurances but were stonewalled with platitudes and hollow statements.

c. Revaluation

As 2012 (and the suspension) marched on, the Companies started to talk about “changes in life expectancy experience”. At the same time as the 2011 accounts were released (with a serious disclaimer that the Fund was over-valued by at least \$100m (12%) and other qualifications), EEALSF announced that an independent revaluation “of the entire portfolio” would be undertaken^s. Five weeks later, they announced the results of this “Mortality Review”^t and a resultant 20% reduction in the fund (Provisional) NAVs between May 2013 and June 2013 (although the Company repeatedly describes it as “10% since suspension”). The Company has replaced the “Original Life expectancy estimates” (based on the original (two) independent medical assessments, certified by Via source and the Servicing Agent (BNY^u) in accordance with the Offering Memorandum with the “Adjusted Original Life expectancy estimates obtained via the Maturity review. They have also changed the valuation “buffer” from LE+12 to 2 x LE to reflect the greater uncertainty in the accuracy of the LE estimates. We have raised several questions / concerns with EEALSF about the

^s EEALSF [Letter to Shareholders](#) dated 3rd July 2013

^t EEALSF [Letter to Shareholders](#) dated 13th August 2013

^u BNY : The Bank of New York Asset Solutions, a division of The Bank of New York Mellon

**SUMMARY OF COMPLAINTS TO GFSC re EEA LIFE SETTLEMENTS FUND PCC
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details and validity of their statements about life expectancy experience and the Maturity Review ^v.

Our Complaint ¹² is that (subject to any responses received to our questions / concerns), the 2013 Maturity Review appears to be a sham which is not in accordance with the terms of the valuation policy stated in the Offering Memorandum on which Advisors and Investors based their decisions to invest. This view is based on :

- The Investment Advisors reports in the 2011 and 2012 Reports which state that maturities are occurring within 60 – 70% of Original expectations, plus our own analysis ^w which confirmed that the existing estimates and LE+12 buffer appeared to be adequate for the 376 maturities up to August 2013.
- Only a “selection” of policies were requested by the single independent valuer (believed to be Fasano Associates). The remaining policies had an apparently arbitrary 33 months added to their Original LE estimate.
- The new LE x 2 buffer is extremely onerous, given the magnitude of the new “adjusted” LE estimates mentioned.
- The company (and ViaSource) repeatedly refuse to release any further details about the revaluation, or the remaining policies, such that Advisors and Investors are unable to form their own opinions of the results and the consequent reduced NAVs or extended run-off profiles. Indeed, they have stopped releasing the “original Original” LE values, or the number of outstanding policies by LE split.
- An analysis by an experienced Luxembourg consortium ^x, submitted to the Company, Auditor and Regulator in December 2013 suggests that up to 60% of remaining policies might be non-profitable (i.e. the future premiums will cost as much or more than the expected Maturity Benefit), raising further doubts about future liquidity and run-off profiles / returns. So far as we are aware, the Company, Auditor and Regulator have not yet acted on these allegations, and the situation will deteriorate rapidly as time passes, because premiums will continue to be due and the stated policies will become less marketable and valuable in the secondary or tertiary markets.
- A further comparison between shows that the EEA / ViaSource run-off period of **eight** years compares to the Luxembourg estimate of **nineteen** years.

^v Email dated 13 Feb to the Secretary, copied to Colton, Daly, Simpson, Le Page

^w EEA Investor Group WP1 submitted to Grant Thornton and GFSC on 26th November 2013.

^x Report by [BacoValuations](#) :

“The older ages segment (insureds aged between 85 and 100) represents nearly 60% of the portfolio face amounts. Right now this block has a negative actuarial value because future premiums are higher than maturities expected. This situation has a disastrous consequence on the portfolio valuation that was fixed at \$ 693 m as of December 31, 2012. Obviously this was by far a too high valuation.”

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3. RESTRUCTURING & BEYOND - 2013 Onwards

a. Restructuring Proposal and Delays

During 2013, the issue of “questions from the auditor” and the delay to the 2011 accounts dragged on, and the need for a shareholder vote to take place before the Regulator would consider any restructuring proposal became the excuse behind the ongoing delays. The proposal was finally sent to shareholders dated 18th September 2013 with a Class Meeting and EGM called for 17th October 2013 in Guernsey to conclude the voting on the associated resolutions.

Advisors and Investors complained to GFSC at the time^y that the proposals were unnecessarily complex, were unfair to some shareholders and they should not have called the EGM and voting until after the audited / approved 2012 accounts were available and proper NAVs were in place. An option should have been included for a managed run-off of the Fund, and more time should have been allowed for more detailed consideration and information regarding the options proposed.

An employee of EEALSF told a meeting of Advisors and investors in January 2014 that the Company had been forced into the 28-day Notice period by Guernsey Law. This isn't true^z and neither is this a requirement of the EEALSF Articles^{aa}.

Our Complaint¹³ is that EEALSF could and should have allowed a longer time and possibly ran some Advisor / Investor information meetings to explain and discuss their proposals in an unbiased manner. Chairman Colton also said^{bb} that the Board had held discussions with “very large” shareholders when formulating the proposals (but apparently not with “ordinary” shareholders).

Our Complaint¹⁴ is also against GFSC who could have asked the Company to consider a longer notice period, or some form of consultation / discussion period in the light of comments and complaints that they were receiving from Advisors and Investors.

^y For example, Investor letter to Mark Le Page dated 1 Oct 2013. Now available as EEA Investors Group WP0.2

^z Guernsey company Law 2008 Clause 207 : Minimum notice period for a general meeting is ten days, unless a longer period is specified in the company's Articles

^{aa} EEALSF Article 74 : Minimum notice period is fourteen days.

^{bb} During questioning at the EGM on 17th October 2013

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b. Voting and EGM

Our concerns were also made to the Company prior to the Meetings, and by eight Advisors and shareholders / representatives who attended the Meetings, together with evidence of misrepresentation and adverse influencing of voting by EEAFML, but to no avail. The proposals and voting were steamrolled through, regardless. Two of the attendees then met (separately) with Mark Le Page at GFSC to discuss their concerns / issues plus the conduct and outcome of the Meetings, and possible actions going forwards. Six of the Advisor/Shareholder attendees then met and decided to form the EEA Investors Group to fight for a better outcome for EEA investors.

Our Complaint¹⁵ is against EEALSF who brushed aside our complaints and concerns and pushed ahead with their agenda, regardless.

Our Complaint¹⁶ is also against GFSC who chose not to intervene to suspend the results of the EGM pending investigation into the concerns of the Advisors and Investors.

c. Misrepresentation

One of the first tasks of the newly formed Group was to document all the examples of misrepresentation by EEALSF and EEAFML which had been used to influence voters to support the restructuring or face “liquidation and huge capital losses”. This document was submitted^{cc} to the FCA, GFSC, EEALSF and Meteor^{dd}.

As we spoke to more Advisors and Investors, and as new members joined our Group, we confirmed that these “messages” – amplified by media articles and further comments by Simon Shaw^{ee} – had indeed been heard very clearly, and were material factors in persuading investors to vote for the restructuring, often against their better judgements.

Our Complaint¹⁷ is against EEAFML and Simon Shaw for making (and not retracting) the misrepresentations of what was actually stated in the EEALSF and EEAFMG restructuring documents. This “scaremongering” definitely paid off in terms of the voting results in favour of the restructuring,

Our Complaint¹⁸ is also against GFSC and the FCA for (apparently) not taking any action against the Companies or suspending the results of the EGM while further enquiries were undertaken.

^{cc} EEA Investors Group submission to FCA dated 5th November 2013. Available on request.

^{dd} Meteor Asset Management Ltd, London

^{ee} Simon Shaw, Chairman of EEA Group, Director of EEAFML, EEAFMG and EEALSF

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d. Options for Continuing and Run-off Shares

The 2013 restructuring proposal include an option for shareholders to stay with Continuing Shares or convert some or all of their holding to Run-off shares. The default option was for Continuing shares. The deadline for choosing was the 17th Oct 2013 EGM – the same as for the restructuring votes. At the EGM the results of the restructuring were counted and announced, but not the results of the continuing / runoff elections. The [Notice of the Results of the EGM](#) on CISX^{ff} the next morning also omitted the Continuing / Runoff results, but added that an extension to 31st October 2013 had been granted for shareholders to make or change their elections. This extension was not publicised via other media or means and appears to have gone unnoticed by the majority of shareholders.

Our requests to see the election results as at the EGM and 31st October respectively were repeatedly rejected^{gg}, and the compound results themselves were delayed until after the restructuring approval had been received at the end of December 2013. As more members joined our Group it became clear that none had known about the extension in October, and everyone who chose Continuing (often under advice from their IFA) had significantly misunderstood the implications (to their detriment). They chose Continuing primarily for two reasons :

- i) To receive redemption payments sooner (in two years rather than spread over five years or more for Runoff) and/or
- ii) To benefit from increasing NAVs as the proposed forward investments into the New Irish Fund paid off. There were also significant misunderstanding about how the Continuing cells would actually be managed and re-invested.

When we explain that there will likely be very little cash available within the Continuing Cells to meet redemption requests after 23 months, and in any case they are limited to 5% per quarter, and where / how the funds can be re-invested, the shareholders invariably wish that they had chosen Runoff rather than Continuing, especially when they realise the chances of the Irish Fund performing any better than the “reality” of the current Guernsey Fund are (arguably) very remote.

Our Complaint¹⁹ is against EEALSF in that they appear to have tried to manipulate the voting in favour of Continuing shares, without properly explaining the likely redemption and valuation scenarios that will apply. Many investors are now trapped in cells that they can't get out of, and will not benefit from for 4 -10 years (allegedly). They should issue an explanatory Notice and open a (say, 1-3 month) window for investors to make or change their election, before any re-investments are made from the Continuing cells.

Our Complaint²⁰ is also against GFSC for not taking EEALSF to task over the “stunt” of announcing the October extension on CISX, rather than a more general notice in the media or to all Advisors and Investors.

^{ff} CISX (now CISE) : Channel Islands Stock Exchange (now Channel Islands Securities Exchange)

^{gg} Emails between EEA Investors Group and EEALSF, some copied to GFSC. Available on request.

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e. Run-off Profiles and Risks

The Companies failed to provide any meaningful run-off profiles in the restructuring documents and have repeatedly rejected subsequent requests for more detailed information, either for Continuing or Run-off cells. With the consequences of the 2013 Maturity Review and revaluation now better understood, and questions arising about the true value of the remaining policies (especially for the premium costs for the 60% of older lives). Investors are now increasingly worried about the the future cashflow and redemption prospects of the Fund. We also have increasing concerns for the current valuations of the Fund and the values expected when EEA announce that a “partner” will offer to buy the Runoff shares from investors at a discount to the applicable NAVs. An EEAFML employee also told a meeting of Advisors and Investors that (internally) they are now using a target / hurdle rate of 6% pa rather than 8% pa, but this information hasn't (yet) been communicated to shareholders in total.

Our Complaint ²¹ is against EEALSF and EEAFML that they are deliberately concealing the future run-off profiles, and yet also sharing sensitive information with selected Advisors, Investors and outside parties. We also need them to address the valuation, run-off and profitability concerns raised by BacoValuations in December 2013.

Our Complaint ²² is also against GFSC and the Auditor (Grant Thornton) to ensure that they expose any issues with the 2013 Maturity Review and Revaluation exercises when auditing the 2013 accounts, and address the issues / concerns raised by BacoValuations in December 2013. In our opinion, the Regulator and Auditor should engage BacoValuations to undertake a complete (and independent) review of the remaining portfolio of life policies and identify what actions should be taken to optimise the future returns to the Investors.

4. COMMUNICATION

a. Shareholders

The Companies fulfil their minimum legal obligations in sending Notices and Letters to Shareholders. We have evidence that many “shareholders” don't receive the materials, or suffer delays. Also when they submit requests and voting / proxy forms to the Company. We suspect that this arises from the fact that very many shareholders are invested through platforms and other intermediaries (e.g. insurance companies and bond funds etc) and a variety of beneficial / contractual / proxy practices and rights, which are often unclear to the investors. Some platforms / nominees also distribute EEA materials via their contracted IFAs who can also cause delay or obstacles in getting material to/from the investor. The problem is that the investors don't often know or understand that the materials or rights exist. Another complication is that the EEALSF is only required to keep a Register of actual shareholders (i.e. the nominee or platform where appropriate) and this makes it more difficult to count, identify or contact the beneficial owners. It is also not clear whether votes or proxies are being exercised by the platform or the beneficial owner(s). This is not necessarily (or only) a problem with Guernsey companies or regulations, but EEALSF, EEA FMG and EEAFML take full advantage of the situation to push resolutions and changes through with minimum exposure to the investors.

**SUMMARY OF COMPLAINTS TO GFSC re EEA LIFE SETTLEMENTS FUND PCC
plus Associated Companies, Regulators and Auditors**

Our Complaint ²³ is against GFSC (and the Department of Commerce & Employment) to require Guernsey (Fund) companies to either keep a sub-Register of beneficial owners or require their registered (nominee and platform) shareholders to provide names and addresses of their beneficial owners for the purpose of directly distributing Notices and Letters to investors, and the recognition / return of proxies and voting forms etc.. This would also avoid the complexity of investors having to obtain Letters of Representation or Authority to attend General Meetings, submit proxies or inspect the Register. Alternatively, nominee or platform shareholders should not be eligible for voting rights in Guernsey Fund companies.

b. Distributors and Financial Advisors

EEAFMG and EEAFML maintain a network of distributors and Financial Advisors and rely on them to disseminate information to investors. Not all information is shared with all Advisors (and therefore Investors) and some Advisors (especially Distributors) appear to have rapid access to more privileged information. Not all investors have an Advisor (or are no longer involved with their original or any Advisor) and therefore do not have access to the same level of information. When they call the Companies with questions they are often told that they can only be given information that is available to all shareholders, even though the information requested has already been provided to some or all Advisors and intermediaries. This is an unsatisfactory situation that leads to mis-information, rumours and unnecessary anxiety when different information appears from different sources. It is exacerbated by the Companies' apparent culture of only satisfying their minimum legal obligations, and keeping back as much information as possible. They don't lie, but they often tell only half the truth or half the story. It also puts Advisors in the difficult situation of not knowing how to properly advise their clients / investors on important or complex issues, such as the recent restructuring and the likely runoff scenarios.

Our Complaint ²⁴ is against EEALSF, EEAFMG and EEAFML for not conducting a policy of transparency and accountability in their communications and dealings with Advisors, Distributors and Investors.

**SUMMARY OF COMPLAINTS TO GFSC re EEA LIFE SETTLEMENTS FUND PCC
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5. CORPORATE GOVERNANCE

a. General

We believe that the Board of EEALSF does not follow best (or good) practice in terms of Corporate Governance, as befits a \$1bn public Fund company. Some of our members have made numerous specific complaints over the past six months to the Companies and the GFSC in relation to the numerous topics covered elsewhere in this summary.

b. Guernsey code of Corporate Governance

The GFSC has issued a [Code of Corporate Governance](#) which came into effect on 1st January 2012. Directors of companies subject to the Code must consider and minute discussions relating to it periodically at Board meetings. They are also required to confirm to the Commission by means of a written assurance statement that they have considered the effectiveness of their Corporate Governance practices and, in the context of the nature, scale and complexity of the relevant company, are satisfied with the degree of compliance with the Principles for the relevant period.

EEALSF and their administrator, the International Administration Group (IAG) are subject to the Code and submitted their initial 2012 assessment to the GFSC. They have rejected a shareholder's request^{hh} to see a copy of their submissions. We also note that the Chairman's company [BWCI Group](#) and EEA's listing company [Ogier](#) have both embraced the Code and explained it to their clients and the public.

The Code states that ultimately, Corporate Governance is about the behaviour of Boards and their Directors and the stated purpose of the Code is to provide Boards and individual Directors with a framework for sound systems of Corporate Governance and help them discharge their duties efficiently and effectively.

The Code provides a set of Principles and Guidance, but is not intended to be prescriptive. Rather it is a formal expression of the components of good corporate practice, against which shareholders and Boards, as well as the Commission, can better assess the degree of Governance exercised over companies in Guernsey's finance sector. Non-compliance with the Principles does not automatically make a company liable to any sanction or proceedings.

The GFSC will take into account the way in which, and the extent to which, companies have adopted the Principles in their policies, procedures, controls and practices. The eight Principles of the Code are summarised as follows :

^{hh} Requested by Mr Trinkwon at reconvened 2012 AGm on 31 December 2013.

**SUMMARY OF COMPLAINTS TO GFSC re EEA LIFE SETTLEMENTS FUND PCC
plus Associated Companies, Regulators and Auditors**

1. **THE BOARD** - Companies should be headed by an effective Board of directors ("the Board") which is responsible for governance.
 - 1.1 Governance structure
 - 1.2 Central role of the Chairman
 - 1.3 Balance and composition of the Board
 - 1.4 Committees of the Board
 - 1.5 Delegation to management
 - 1.6 Board meetings

2. **DIRECTORS** - should take collective responsibility for directing and supervising the affairs of the business.
 - 2.1 Directors' duties
 - 2.2 Legislation and regulation
 - 2.3 Strategy
 - 2.4 Appointment, induction and re-appointment of directors
 - 2.5 Commitment
 - 2.6 Provision of information and support for the Board
 - 2.7 Performance evaluation
 - 2.8 Training and development

3. **BUSINESS CONDUCT AND ETHICS** - All directors should maintain good standards of business conduct, integrity and ethical behaviour and should operate with due care and diligence and at all times act honestly and openly.
 - 3.1 Conflicts, policy and standards
 - 3.2 Conflicts of interest
 - 3.3 Self dealing
 - 3.4 Duty to the company

4. **ACCOUNTABILITY** - The Board should have formal and transparent arrangements in place for presenting a balanced and understandable assessment of the company's position and prospects and for considering how they apply financial reporting and internal control principles.
 - 4.1 Strategic business management
 - 4.2 Group policies
 - 4.3 Financial reporting
 - 4.4 Internal control systems
 - 4.5 Audit and auditors
 - 4.6 Performance monitoring
 - 4.7 Outsourced functions
 - 4.8 Annual business reviews

**SUMMARY OF COMPLAINTS TO GFSC re EEA LIFE SETTLEMENTS FUND PCC
plus Associated Companies, Regulators and Auditors**

4. **RISK MANAGEMENT** - *The Board should provide suitable oversight of risk management and maintain a sound system of risk measurement and control.*
 - 5.1 *Responsibility for risk*
 - 5.2 *Risk strategy and policy*
 - 5.3 *Risk reviews*
 - 5.4 *Contingency planning and testing*

6. **DISCLOSURE AND REPORTING** - *The Board should ensure the timely and balanced disclosure to shareholders and/or to regulators of all material matters concerning the company.*
 - 6.1 *Statutory disclosure and regulatory reporting*

7. **REMUNERATION** - *The Board should ensure remuneration arrangements are structured fairly and responsibly and that remuneration policies are consistent with effective risk management.*
 - 7.1 *Remuneration policy*
 - 7.2 *Levels of remuneration*

8. **SHAREHOLDER RELATIONS** - *The Board should ensure that satisfactory communication takes place with shareholders and is based on a mutual understanding of needs, objectives and concerns.*
 - 8.1 *Communication*
 - 8.2 *Rights of shareholders*

Our Complaint ²⁵ is against the GFSC in that in spite of all the concerns and complaints received from Advisors and investors since the EEALSF was suspended in November 2011, they do not appear to have carried out any review or assessment of the actual Corporate Governance of the Companies concerned, for example when considering the approval of the restructuring proposal during December 2013. The EEA Investors Group and its individual members would be pleased to cooperate with any review that the GFSC might now consider should take place. We have already prepared a couple of draft assessments of our own, but most of the concerns and issues have now been stated elsewhere in this present document in the form of specific complaints.

Our Final Complaint ²⁶ is also against GFSC for failing to withhold approval for the EEALSF restructuring in December 2013, in spite of all the communications and assurances given to Advisors and Investors during 2012 and 2013. We would, at least have expected some restrictions or conditions related to the removal of valuation based fees and charges, an independent assessment of the 2013 Maturity Review and Re-valuation, the re-balancing of the Board and the re-opening of a meaningful election window for holders of Continuing shares.

**SUMMARY OF COMPLAINTS TO GFSC re EEA LIFE SETTLEMENTS FUND PCC
plus Associated Companies, Regulators and Auditors**

APPENDIX

ABBREVIATED LIST OF COMPLAINTS

Our Complaint ...

- 1 ... is against EEALSF, EEA FMG and EEA FML for wrongly promoting the fund as “Low Risk” from inception until around 2010
- 2 ... is also against the GFSC and UK FSA/FCA who initially licensed this fund for marketing to retail investors without examining or monitoring ...
- 3 ... is that EEALSF and EEA FMG appear to have wilfully manipulated the monthly NAVs, ...
- 4 ... is also against the auditor (EY) and the GFSC for not spotting and investigating ...
- 5 ... is against EEALSF and EEA FMG for not providing adequate information ...
- 6 ... is that EEALSF was effectively not a going concern following the suspension and should have ...
- 7 ... is also against the GFSC who allowed this situation to fester for eighteen months ...
- 8 ... is against EEALSF in that they previously drained too much cash from the Fund ...
- 9 ... is also against the GFSC and EY who appear not to have recognised or reviewed the true severity ...
- 10 ... is against EEALSF in that as the suspension dragged on, the Companies didn’t say ...
- 11 ... is also against the GFSC and EY who didn’t appear to question or challenge ...
- 12 ... is that (...), the 2013 Maturity Review appears to be a sham ...
- 13 ... is that EEALSF could and should have allowed a longer time and possibly ran some ...meetings ...
- 14 ... is also against GFSC who could have asked the Company to consider a longer notice period ...
- 15 ... is against EEALSF who brushed aside our complaints and concerns and pushed ahead ...
- 16 ... is also against GFSC who chose not to intervene to suspend the results of the EGM...
- 17 ... is against EEA FML and Simon Shaw for making (and not retracting) the misrepresentations ...
- 18 ... is also against GFSC and the FCA for (apparently) not taking any action against ...
- 19 ... is against EEALSF in that ... have tried to manipulate the voting in favour of Continuing shares...
- 20 ... is also against GFSC for not taking EEALSF to task over the “stunt” of announcing the October ...
- 21 ... is against EEALSF and EEA FML that they are deliberately concealing the future run-off profiles ...
- 22 ... is also against GFSC and the Auditor (Grant Thornton) to ensure that they expose any issues,,,
- 23 ... is against GFSC (and the Ministry of Commerce & Employment) to require Guernsey (Fund) companies ...
- 24 ... is against EEALSF, EEA FMG and EEA FML for not conducting a policy of transparency and accountability...
- 25 ... is against the GFSC in that ... they do not appear to have carried out any review ...
- 26 ... is also against GFSC for failing to withhold approval for the EEALSF restructuring...

[END OF WORKING PAPER]